

Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC NIACT IMMEDIATE 1504

TREASURY DEPARTMENT NIACT IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 4137

TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: USSAEC, TGEN, US, SA

SUBJECT: REELECTRIFICATION OF RIYADH

REF: A. STATE 133550; B. JIDDA 4009

SUMMARY: FOLLOW-UP DISCUSSIONS WITH SAG OFFICIALS INDICATE SHORT TERM REELECTIFICATION OF RIYADH POSES A SERIOUS, IF NOT INSURMOUNTABLE PROBLEM. THE CURRENT DISTRIBUTION NETWORK, ESPECIALLY LINES TO RESIDENTIAL UNITS AND WIRING IN THE UNITS THEMSELVES, IS INSUFFICIENT TO MEET SKYROCKETING DEMAND. AN IMMEDIATE SOLUTION TO THAT PROBLEM WOULD REQUIRE A MASSIVE, ALMOST HOUSE-TO-HOUSE EFFORT. MATERIAL NEEDS, ON THE OTHER HAND, ARE NOT GREAT FOR THE SHORT RUN, SO THERE IS LITTLE CONTRIBUTION THE JOINT COMMISSION CAN MAKE IN THAT AREA. NOR CAN WE MAKE UP FOR THE DRASTIC SHORTAGE IN SKILLED MANPOWER NEEDED TO MAINTAIN THE EXISTING NETWORK. NEVERTHELESS, WE BELIEVE THE USG HAS NO CHOICE BUT TO EXERT EVERY EFFORT ON THE SAUDIS' BEHALF. ANY OTHER ACTION WILL DISCREDIT BOTH THE COMMISSION AND OUR FRIENDS AND SUPPORTERS WITHIN THE SAUDI GOVERNMENT. MINISTER OF STATE FOR FINANCE ABA AL KHAYL IS PARTICULARLY VULNERABLE IN

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THIS REGARD BECAUSE IT WAS HE WHO PUSHED FOR THE REDUCTION IN

ELECTRICITY RATES WHICH ADDED IMMENSELY TO THE SUDDEN UPSURGE IN DEMAND. ANALYSIS AND RECOMMENDATIONS FOLLOW. END SUMMARY

1. ACTING EMBASSY ECONOMIC CHIEF'S DISCUSSION WITH MINSTATE FOR FINANCE ABA AL KHAYL, DEP MINISTERS OF COMMERCE AND INDUSTRY MAHMOUD TAIBAND SULEYMAN SULAIM, AND TECHNICAL MANAGER OF SAUDI NATIONAL ELECTRIC COMPANY HAVE GIVEN US ADDITIONAL INSIGHT INTO PROBLEM OF RIYADH REELECTRIFICATION. ABA AL KHAYL REPEATEDLY EMPHASIZED THE IMPORTANCE OF THIS EFFORT. HE SAID HE HAD DISCUSSED THE SAUDI REQUEST TO THE U.S. WITH THE KING ONLY THAT MORNING AND WOULD BE REPORTING ON THE AMERICAN RESPONSE AT A COUNCIL OF MINISTERS MEETING A FEW MINUTES LATER. IN FACT, HE WAS LATE FOR THE COUNCIL MEETING BECAUSE HE WANTED FIRST TO DISCUSS THE MATTER WITH US.

2. WE HAVE LITTLE DOUBT THAT THIS IS A VERY IMPORTANT TEST CASE FOR ABA AL KHAYL AND FOR PRINCE FAHD, AS WELL. THEIR ABILITY TO DELIVER THE GOODS FROM THEIR AMERICAN FRIENDS WILL HAVE IMPORTANT POLITICAL SIGNIFICANCE FOR THEM. IF THEY CAN'T GET WHAT THEY NEED FROM THE U.S. THEY WILL LOOK ELSEWHERE, ACCORDING TO ABA AL KHAYL.

3. THE SIGNIFICANCE OF THIS PROBLEM IS MAGNIFIED FOR ABA AL KHAYL BECAUSE IT WAS HE WHO URGED THE REDUCTION IN UTILITY RATES LAST YEAR WHICH HAS AT THE LEAST ADDED SIGNIFICANTLY TO SOARING DEMAND. URGENCY HAS BEEN DICTATED BY RECENT UPSURGE IN BLACKOUTS, INCLUDING ONE FAILURE WHICH LEFT A COUNCIL OF MINISTERS MEETING IN DARKNESS. (MINISTER OF PLANNING NAZER'S DINNER FOR SENATOR KENNEDY WAS ALSO BLACKED OUT FOR 2 HOT HOURS IN LATE MAY).

4. ABA AL KHAYL IS INTERESTED IN SEEING THE USG ASSUME RESPONSIBILITY FOR REELECTRIFICATION, BUT HE CLEARLY DOES NOT HAVE HIS MIND SET ON A PARTICULAR FORM FOR SUCH RESPONSIBILITY. ACCORDING TO HIM, THE FIRST PRIORITY IS TO IDENTIFY SAUDI

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NEEDS FOR MATERIAL (GENERATORS, TRANSFORMERS, CABLE, ETC) AND MEET THOSE NEEDS WITH AN ABSOLUTE MINIMUM OF DELAY. THE SECOND, BUT SIMULTANEOUS PRIORITY IS THE NEED FOR A TEAM OF TECHNICIANS TO ADVISE ON INSTALLATION AND APPLICATION. THIRD, IS A LONG RANGE PROGRAM IN WHICH THE U.S. COULD BE INVOLVED IN SOME KING OF MANAGEMENT ACTIVITY AND WHICH WOULD NOT BE LIMITED TO THE RIYADH AREA,

BUT COULD EXTEND TO THE EASTERN PROVINCE AND THE COUNTRY AS A WHOLE.

5. UNFORTUNATELY, BRILLIANT THOUGH HE IS, ABA AL KHAYL'S GRASP OF THE SITUATION AND THE TECHNICAL PROBLEMS INVOLVED IS NOT SUCH THAT HE CAN APPRECIATE JUST WHAT DIFFICULTIES WILL BE FACED IN CORRECTING THE SITUATION IN THE IMMEDIATE SHORT RUN. OUR DISCUSSIONS WITH THE MINISTRY OF COMMERCE AND INDUSTRY INDICATE THE FOLLOWING:

THE BASIC PROBLEM: DISTRIBUTION AND SKYROCKETING DEMAND.

(A) DEMAND FOR ELECTRIC POWER IN 1975 IS 54 PERCENT ABOVE THE LEVEL OF THE YEAR BEFORE. WHEN RATES WERE REDUCED BY 50 PERCENT LAST YEAR (TO 10 PERCENT OF OLD RATES IN RURAL AREAS), DEMAND FOR AIR CONDITIONERS SHOT UPWARDS. MANY PEOPLE WHO USED DESERT COOLERS (EVAPORATION UNITS WITH FANS) HAVE BEGUN SWITCHING TO FREON TYPE UNITS. THE GE DEALER IN RIYADH ALONE IMPORTED 8,000 UNITS. AS PURCHASE OF OTHER ELECTRICAL APPLIANCES HAS BURGEONED, EXISTING DELIVERY CAPABILITY HAS BEEN SERIOUSLY OVERLOADED. MOST HOUSES AND APARTMENTS IN RIYADH DO NOT HAVE THE ABILITY TO HANDLE THE 220 VOLT, HIGH AMPERAGE CURRENT NEEDED FOR AIR CONDITIONERS. TRANSFORMERS, CIRCUIT BREAKERS AND EVEN LOW VOLTAGE LOCAL TRANSMISSION LINES CANNOT HANDLE ENOUGH CURRENT TO MEET DEMAND. THE RESULT HAS BEEN FREQUENT BROWN-OUTS AND/OR BLACK-OUTS. TO ADD TO THIS PROBLEM, THE EXTENSIVE CONSTRUCTION IN RIYADH, OFTEN CARRIED OUT UNDER POOR CONFIDENTIAL

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SUPERVISION, RESULTS IN CUTS IN MAIN LINES (UNDERGROUND) AS FREQUENTLY AS 8 TIMES PER WEEK. POWER CUTS ARE ALSO FREQUENTLY CAUSED BY IMPROPER INSTALLATION OF AIR CONDITIONERS, FUSE BOXES, ETC. BY POORLY TRAINED OR UNTRAINED ELECTRICIANS.

(B) THE SYSTEM DOES, HOWEVER, HAVE SUFFICIENT GENERATING CAPACITY, ACCORDING TO TECHNICIANS AND THE MINISTRY OF COMMERCE, TO MEET CURRENT NEEDS UP TO AND INCLUDING 1976. A 50 MEGAWATT GENERATOR JUST WENT ON STREAM AND ANOTHER IS EXPECTED TO BE OPERATING SHORTLY. IN ADDITION, THE SAUDI NATIONAL ELECTRIC COMPANY (SNEC) HAS RECENTLY SPENT SR 30 MILLION (\$8.6 MILLION) ON EQUIPMENT AND SUPPLIES. MOST OF THAT MATERIAL HAS BEEN RECEIVED OR IS IN

CUSTOMS. BY 1977 SNEC TECHNICAL MANAGER EXPECTS A SERIOUS PROBLEM. HE WILL NEED 200 MEGAWATTS OF ADDITIONAL CAPACITY AND DOES NOT BELIEVE HE CAN MEET THE NEED BY THE SUMMER OF 1977. HE WILL ALSO NEED DUAL HIGH POWER TRANSMISSION LINES ENCIRCLING THE CITY. IN OTHER WORDS THE PROBLEM FACING RIYADH NOW IS DISTRIBUTION AND MAINTENANCE; NOT GENERATION.

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O 091630Z JUN 75

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TO SECSTATE WASHDC NIACT IMMEDIATE 1505

TREASURY DEPARTMENT NIACT IMMEDIATE

C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 4137

THE SNEC.

(A) THE SNEC HAS COME IN FOR INCREASING CRITICISM. WE HAVE HEARD FROM A VARIETY OF SOURCES THAT IT IS INEPT AND INCAPABLE OF PROPER MANAGEMENT OF A SYSTEM EVEN AS LARGE AS RIYADH IN 1974. NEVERTHELESS, WE HAVE SEEN NO SOLID EVIDENCE TO SUPPORT THAT ALLEGATION. CERTAINLY THE SNEC LIKE MOST SAUDI COMPANIES COULD USE SOME SOUND ADVICE ON MANAGEMENT AND SYSTEMS CONTROL. THEY APPEAR TO HAVE, HOWEVER, REASONABLY GOOD ENGINEERS (MOSTLY EXPATRIATE OF COURSE). THEIR MOST SERIOUS NEED IS FOR FOREMEN AND SKILLED LABORERS. OF THESE, THE AVAILABLE SUPPLY IN SAUDI ARABIA IS ALMOST NIL AND THE JOINT COMMISSION COULD DO LITTLE TO CHANGE THE SITUATION. THE LACK OF SKILLED MANPOWER IS MOST CRITICALLY FELT, OF COURSE,

IN MAINTENANCE OF THE FACILITIES.

(B) IN DISCUSSIONS BETWEEN THE MINISTRY OF COMMERCE AND SNEC THE LATTER (CHAIRMAN OF THE BOARD RADWAN) HAS STATED THAT THE COMPANY IS READY AND WILLING TO ACCEPT ANY ASSISTANCE SAG CARES TO TENDER. IN FACT, THEY ARE WILLING TO ACCEPT
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ANY ACTION UP TO AND INCLUDING TAKEOVER BY THE GOVERNMENT.

THE GOVERNMENT HAS ALREADY EARMARKED SR 750 MILLION (\$215.5 MILLION) FOR DEVELOPMENT OF THE NATION'S ELECTRICITY NET (TO BE HANDLED BY THE SAUDI INDUSTRIAL DEVELOPMENT FUND AND THE MINISTRY OF COMMERCE). CERTAINLY SAG COULD INSIST ON A HIGH DEGREE OF PARTICIPATION AND CONTROL IN MANAGEMENT DECISIONS IN RETURN.

(C) NEVERTHELESS, NO DEGREE OF GOVERNMENT PARTICIPATION OR MANAGEMENT CAN CHANGE OVERNIGHT THE WIRING IN 95 PERCENT OF RIYADH'S DWELLINGS, NOR REPLACE THE MILES OF INADEQUATE CABLE.

FOREIGN INVOLVEMENT.

(A) THE SNEC HAS IN HAND FEASIBILITY STUDIES AND REPORTS BY THE CHARLES E. MAINES (SIC) COMPANY (U.S.), KULJIAN ENGINEERING COMPANY (U.S.) AND AN UNSPECIFIED JAPANESE FIRM. THESE STUDIES PROJECT RIYADH'S NEEDS UP TO 1985 AND PUT FORWARD PLANS FOR A NEW POWER GRID TO MEET THOSE DEMANDS. THE SNEC PLANS TO CHOOSE ONE OF THESE THREE TO PREPARE SPECIFICATIONS AND POSSIBLY MANAGEMENT OF THE ULTIMATE CONTRACT. EMBASSY RECOMMENDS THAT DEPARTMENT ATTEMPT TO CONTACT BOTH U.S. FIRMS ON A CRASH BASIS TO OBTAIN WHAT SPECIALIZED INFORMATION THEY CAN MAKE AVAILABLE. KULJIAN'S SENIOR ELECTRICAL ENGINEER, FRANK X. BONNES, WILL BE RETURNING TO PHILADELPHIA ON OR ABOUT JUNE 15 (TEL. 215-243-1900). THE MINISTRY OF COMMERCE HAS PROMISED TO OBTAIN THE REPORTS FOR US, BUT DIRECT ACCESS IN THE U.S. WOULD BE ADVISABLE.

(B) WESTINGHOUSE IS ALSO ACTIVE IN SAUDI ARABIA. THEY ARE MAKING A SPECIAL EFFORT TO GET THE CONTRACTS FOR THE EASTERN PROVINCE GRID (BEING HANDLED BY ARAMCO--EMBASSY WILL PROVIDE OVERVIEW OF ARAMCO'S EXPERIENCE AND OPINION AT FIRST OPPORTUNITY).

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WESTINGHOUSE ACTIVITIES INCLUDE ESTABLISHMENT OF SERVICE FACILITY IN DAMMAM IN AN EFFORT TO RECEIVE CONTRACTS. GE HAS ALSO BEEN ACTIVE IN JIDDA.

6. OBVIOUSLY, ALL OF THE ABOVE SPELLS OUT A VERY SERIOUS PROBLEM FOR THE JOINT COMMISSION. FAILURE TO BECOME INVOLVED WILL BE AN ADMISSION OF INEPTITUDE AND MEAN A LOSS IN PRESTIGE TO OUR CLOSE FRIENDS. IF WE BECOME INVOLVED, HOWEVER, THE POSSIBILITY OF DOING SOMETHING SIGNIFICANT IN THE SHORT RUN IS NOT HIGH. IN SHORT, WE APPEAR TO BE IN A NO-WIN SITUATION.

8. OUR RECOMMENDATION IS AS FOLLOWS:

A. EMBASSY WILL ATTEMPT TO PROVIDE ADDITIONAL DETAIL AS SOON AS POSSIBLE; THIS WILL INCLUDE CONSULTATION IN DETAIL WITH ARAMCO. WASHINGTON AGENCIES SHOULD, IN THE MEANTIME, PROCEED IMMEDIATELY TO CONTACT CONSULTANTS LISTED ABOVE, AS WELL AS WESTINGHOUSE AND GENERAL ELECTRIC, TO OBTAIN MORE DETAIL.

B. TREASURY AND STATE SHOULD SELECT IMMEDIATELY A TOP NOTCH EXPERT WHO CAN PROVIDE THE NECESSARY ON-THE-SCENE APPRAISAL. PREFERABLY SUCH A MAN WOULD COME FROM THE TVA OR PRIVATE INDUSTRY. WE WOULD LIKE TO SEE THAT EXPERT IN RIYADH WITHIN ONE WEEK, AND WOULD HOPE HE COULD REMAIN TO SUPERVISE ANY SUBSEQUENT TEAM OF EXPERTS WHO MIGHT ARRIVE. WE CERTAINLY DO NEED ANOTHER EXPERT TO WRITE ANOTHER REPORT. THAT WOULD SIMPLY BUTTRESS THE CPO'S CRITICISM OF THE JOINT COMMISSION.

C. STATE AND TREASURY SHOULD PUT TOGETHER A TASK FORCE WHICH CAN PRODUCE AN ACTION PLAN AIMED AT MEETING AS MUCH AS POSSIBLE OF RIYADH'S IMMEDIATE NEEDS, AS SOON AS SUFFICIENT DETAIL IS ON HAND TO ALLOW SUCH ACTION.

D. THE EMBASSY WILL UNDERTAKE THE UNENVIABLE TASK

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OF EXPLAINING TO PRINCE FAHD AND MINSTATE ABA AL

KHAYL WHAT THE LIMITATIONS ARE AND WHAT WE CAN
HOPEFULLY DO IN THE LONGER RUN. WE WILL EXPLORE,
ON AN INFORMAL BASIS, THE PROSPECT OF GETTING
ADDITIONAL MANAGERIAL HELP AND SKILLED MANPOWER
FROM ARAMCO TO SNEC TO HELP MEET IMMEDIATE NEEDS.

8. WE HOPE WASHINGTON AGENCIES WILL ALSO MOVE
IMMEDIATELY TO HASH OUT THE PROBLEM OF WHETHER OR
NOT THE U.S. GOVERNMENT IS PREPARED TO GET INVOLVED
IN THIS OR OTHER OPERATIONS AT THE PROGRAM MANAGE-
MENT LEVEL. THIS PROBLEM HAS ALSO COME UP IN RE-
LATION TO HOUSING AND INFRASTRUCTURE IN JUBAYL,
AND WILL CERTAINLY BE WITH US IN OTHER AREAS
IN THE FUTURE. IF WE CANNOT OPERATE IN THIS MANNER
WE MUST COME UP WITH AN ALTERNATE METHOD.

9. IN SUM, DESPITE THE DIFFICULTIES FACING US,
WE HAVE NO REAL CHOICE IN THIS MATTER. WE MUST
EXERT EVERY EFFORT TO PROVE THAT THE USG AND THE
JOINT COMMISSION CAN RISE TO MEET EVEN AN OCCASION
AS DIFFICULT AS RIYADH'S SHORT TERM ELECTRIC
PROBLEMS. ANY OTHER ACTION WILL HARM THE ENTIRE COMMISSION
EFFORT.

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